

1 Q. (Re: October 2014 Evidence submitted as part of Application) It is stated on page 7
2 lines 9 to 15 that in 2014, Hydro has incurred not only the capacity-related costs
3 that are the subject of this Application, but also numerous other costs related to
4 the Board's Outage Inquiry that are not accounted for in existing rates. Hydro goes
5 on to say that it will be proposing a recovery mechanism for these additional costs
6 as part of the amended GRA filing that will be submitted to the Board this fall. Why
7 is Hydro submitting this Application for 2014 capacity-related costs now rather than
8 wait until the amended GRA filing is submitted in the fall? Will the amended
9 application submitted in the fall not supersede any approval granted in this
10 Application, and will it not provide the Board a more complete picture of costs
11 incurred in 2014, thus providing the Board a more appropriate basis upon which to
12 base its decision?

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15 A. Hydro has submitted its application for deferred recovery for the 2014 capacity-
16 related costs in advance of the Amended General Rate Application (GRA) filing due
17 to the magnitude of the specific capacity-related costs that have already been
18 incurred to provide service to customers in 2014 and that are not currently
19 accounted for in Hydro's existing rates. Since the magnitude and extent of these
20 costs is known, Hydro submits that a separate, stand-alone application is the
21 appropriate mechanism to seek Board approval for the deferred recovery of these
22 costs. This is consistent with the Board's past practice in relation to Major
23 Extraordinary Repairs. The Board has previously allowed for the recovery of
24 unanticipated expenses outside of a test year in the context of applications for
25 Major Extraordinary Repairs, when it has been satisfied that such recovery is
26 appropriate and necessary in the circumstances. Hydro submits that the same
27 considerations should apply in this case in relation to the capacity-related costs of

1 \$9,965,000 that were extraordinary in nature and which Hydro was required to
2 incur on behalf of its customers in 2014.

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4 Regardless of the ultimate outcome of the Amended GRA filing, it is clear that the
5 magnitude of the under-recovered capacity-related costs in 2014 is extraordinary,
6 and that failure to provide recovery for those costs would cause a significant shock
7 to Hydro's earnings in 2014. Hydro's updated financial evidence and most current
8 projections show that, even if deferred recovery of the \$9.965M is granted by the
9 Board, Hydro is still expected to suffer a significant net loss in 2014. In these
10 circumstances, Hydro has brought this application to the Board for specific
11 consideration of the appropriate regulatory treatment for these extraordinary and
12 unexpected capacity-related costs. Hydro anticipates that the specifics of the
13 amortization schedule for the recovery of these costs would be considered further
14 as part of the GRA process.